

# NEWSLINE

Savings Plus Program

2nd Quarter 2003

## Understand Your Investments – Bond Funds

*This is the second in a series of NewsLine articles on the basic investment categories -- Cash/Stable Value, Bonds, and Stocks. The series will also cover "Lifestyle" funds. In the last issue, we focused on Cash/Stable Value funds. This article explains Bonds.*

Savings Plus offers four investment choices in the Bond category: Vanguard's Total Bond Market Index Fund and GNMA Fund, and Hartford's Mortgage Securities HLS Fund and Bond HLS Fund. Each of these funds invests in a variety of bonds.

Bonds are sold ("issued") by governments and corporations to raise money. Bond purchasers, such as the four mutual funds listed above, receive a fixed rate of interest at periodic intervals, plus repayment of their investment when the bond reaches maturity (i.e., the end of the loan period). Bond funds are considered "fixed income" securities because they generally provide a predictable, stable return.

Bonds issued by the U.S. Government or quasi-government agencies like the Government National Mortgage Association (GNMA, or Ginnie Mae), Federal National Mortgage Association (FNMA, or Fannie Mae), or Federal Home Loan Mortgage Corporation (FHLMC, or Freddie Mac) are considered safer investments because they're backed by the "full faith and credit of the U.S." Vanguard GNMA Fund and Hartford Mortgage Securities HLS Fund invest only in government-backed bonds.



By contrast, Vanguard Total Bond Market Index Fund and Hartford Bond HLS Fund invest in corporate and government-backed bonds, including foreign countries. Corporate and foreign bonds tend to pay higher interest rates to bondholders because they're considered riskier investments, which means these bond funds usually provide you a higher total rate of return than funds investing solely in U.S. Government-backed bonds.

Investing in one or more bond funds can provide balance and diversification to your overall asset allocation. For a full description of the bond funds SPP offers, refer to the SPP Investment Guide we mailed to you in April. It's also available on our Web site at [www.sppforu.com](http://www.sppforu.com), under Plan Info & Forms/Forms and Publications. Our Web site also includes links to the fund providers (under Plan Info & Forms/Links to Fund Providers) and explains the basics of investing (under Investment Education).

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# Janus Changes Fund Name and Manager

In June 2003, the Janus Adviser International Fund changed its name to Janus Adviser International Growth Fund. In addition, Brent Lynn, co-manager, assumed lead management responsibilities for the fund. Helen Young Hayes, who co-managed the fund with Mr. Lynn, will resign her portfolio management and investment team leadership roles later this year. The Fund's principal investment policies will remain the same. The Janus fund is one of the sub-accounts of the Hartford Variable Annuity. If you have questions regarding this change, please contact Hartford Life at (800) 528-9009.

## Going on Military Leave?

If you expect to take a military leave of absence, contact Savings Plus at (866) 566-4777 before you go. You may be eligible for "make-up" deferrals for the time you're on leave and unable to contribute to your SPP account. If you have an outstanding 401(k) or 457 loan, you'll also need to make repayment arrangements with SPP to make sure your loan does not default.

## Stretching Vacation, Retirement Dollars

Whether you're considering a one-day excursion, a seven-day cruise, or a cross-country road trip, going on vacation usually means spending some money. You can stretch those vacation dollars and enjoy a more relaxing trip if you plan ahead, establish a budget, are flexible, and ask about discounts.

The same kind of advance planning also pays off when it comes to retirement. Contributing to your SPP account while you're young, even at the minimum level of \$20 per pay period, is an important part of this planning. So is increasing your contributions as your income rises, or restarting contributions after a period of inactivity.

A retirement savings plan also gives you peace of mind, allowing you to enjoy the prospects of retirement instead of dreading a loss of income. And just think of the great vacations you'll enjoy after you retire. Careful planning and proper investing through Savings Plus will help you get there.

## Ticker Symbols and VRS Fund Codes

The VRS requires a 4-digit code for an investment option you want to inquire about or change. This list of fund codes is current as of December 2002.

Fund	Ticker	Code
<b>Open Funds:</b>		
Accessor Small to Mid-Cap Advisors . . . . .	ASMCX	.2240
American Funds Growth Fund of America . . . . .	AGTHX	.2484
CalPERS S&P 500 Equity Index Fund . . . . .		.2750
Domini Social Equity . . . . .	DSEFX	.2802
Dwight Asset Management (GIC) . . . . .		.2810
Federated Stock Trust . . . . .	FSTKX	.3445
Franklin Balance Sheet Investment . . . . .	FRBSX	.7817
Gartmore Investor Destination (ID) Options:		
ID Conservative Service Class . . . . .		.9719
ID Moderately Conservative Service Class . . . . .		.9720
ID Moderate Service Class . . . . .		.9721
ID Moderate Aggressive Service Class . . . . .		.9722
ID Aggressive Service Class . . . . .		.9723
Glenmede Ins International/PIA . . . . .	GTHIX	.4350
Hartford Advisers HLS . . . . .	HADAX	.4250
Hartford Stock HLS . . . . .	HSTAX	.4252
Janus Twenty . . . . .	JAVLX	.5270
Savings Pool . . . . .		.2230
T Rowe Price Mid-Cap Growth . . . . .	RPMGX	.7736
VALIC Fixed Interest Option . . . . .		.8965
Vanguard GNMA Admiral Shares . . . . .	VFIJX	.8240
Vanguard Total Bond Market Index Inst . . . . .	VBPIX	.8261
Vanguard US Growth Admiral Shares . . . . .	VWUAX	.8954
Variable Annuity Hartford Sub Accounts:		
American Century Income & Growth . . . . .		.4237
Franklin Small-Mid Cap Growth . . . . .		.4239
Hartford Bond HLS . . . . .		.4233
Hartford Capital Appreciation HLS . . . . .		.4238
Hartford Index HLS . . . . .		.4234
Hartford Money Market HLS . . . . .		.4231
Hartford Mortgage Securities HLS . . . . .		.4232
Janus Adviser International Growth . . . . .		.4240
Janus Balanced . . . . .		.4230
MFS Capital Opportunities . . . . .		.4235
MFS Mass Investors Growth Stock . . . . .		.4236
Self Directed Option:		
Schwab PCRA . . . . .		.7272
<b>Closed Funds (Exchanges Out Only):</b>		
CalPERS US Intermediate . . . . .		.2752
CalPERS US Short Term . . . . .		.2751
American General Fixed Account Annuity . . . . .		.4301
American General Variable Annuity		
Valic Stock Index Fund . . . . .		.4307
Nationwide Fixed Annuity . . . . .		.9769
Nationwide Variable Annuity Investment Sub Accounts:		
Gartmore Nationwide Fund . . . . .		.9800
Putnam Investors Fund . . . . .		.9802
Seligman Growth Fund . . . . .		.9803

**Note:** Ticker symbols are not provided for investments which are not publicly traded mutual funds.

## Online FAQ Gives Answers ... Fast

**W**e know that sometimes you have questions about retirement planning, your investments, and assorted other SPP issues when there's nobody available to help you. It might be in the evening, on the weekend, or some other time when our customer service lines aren't open.



SPP's Web site offers you an alternative ([www.sppforu.com](http://www.sppforu.com)). Under the tab marked "FAQs," you'll find answers to frequently asked questions. Customer Service FAQ (on the left side of the FAQ screen) lists 20 different topics; questions and answers on each topic are available by clicking on the link at the bottom of the screen. Site FAQ provides tips on printing pages from the Web site, accessing your account information, and technical issues related to the Web site itself.

If you can't find the information you're looking for, you may submit your question directly to Savings Plus using the button at the bottom of the FAQ page.

## Online Calculators Help With Retirement Planning

*SPP's Web site offers some handy calculators you can use in your retirement planning.*

Located at [www.sppforu.com](http://www.sppforu.com) under the "Planning Tools" tab, each tool prompts you to input basic financial data, then it automatically runs the calculations to show you a result. Here's a summary of what each one does:

**Account Growth Estimator** shows about how much your account will be worth at retirement based on your annual contributions.

**Take-Home Pay Calculator** helps you estimate the impact on your take-home pay when you change your monthly SPP contributions.

**Needed Retirement Savings Calculator** helps you determine how much you should be investing now to meet your retirement income needs.

**Asset Allocation Tool** is a questionnaire that uses your answers to identify what type of investments you should choose for your SPP account. Known as the Ibbotson questionnaire, it also appears in the SPP Investment Guide we mailed to you in April.

# Accelerate Your Plans For Success

You may think your SPP deferrals have you cruising along toward retirement. But have you checked your investment strategy? If not, you may be heading for an unfriendly detour.

For starters, if you're still deferring the same amount you started at, now may be a good time to raise it. Why?

- You're racing against time. The time until retirement grows shorter, and assets in your SPP account need all the time they can get to potentially earn more for you.
- You're racing against inflation. Your investment earnings need to outpace increases in the cost of

living, especially in areas that will be in greater demand as the boomers retire.

- You're using pre-tax dollars. The additional deferral amount you put into your SPP account will lower your taxable earnings, so the net decrease in take-home pay will be less than what you add to your account.

Second, take a look under the hood. Make sure you're fueling your account with the right mix of investments. Double check your asset allocation -- does it match your current strategy?

Finally, take another look at the roadmap. Have your plans for retirement changed? Has your

lifestyle changed? Do you have new ideas about what you'd like your retirement to be? It's probably time to make sure your current investment strategy will take you where you want to go.

For a free assessment of your portfolio, call SPP's Direct Access Retirement Specialists at 1-800-686-9104 (Mon. – Fri., 8:30 a.m. to 4 p.m., PT).



## Loans Can Be Hazardous to Your Wealth

It sounds simple. You need some quick cash because of a financial emergency and you decide to borrow from your 401(k) or 457 retirement plan. After all, it's your money; interest and principal payments go back into your account.

Beware! This loan could be hazardous to your retirement wealth. Money you borrow from your SPP account can't earn interest or dividends. In addition, your loan payments are made with after-tax dollars, so you don't get any tax break when you pay the money back.

Consider all your options before borrowing from your retirement plan. Read SPP's Loan Fact Sheet, available on our Web site or by calling our toll-free voice response system.

Remember, you must still be working to be eligible for a loan from your SPP account. If you're retired or separated from State service, or you received your account through divorce or as a beneficiary, you're ineligible for a loan.

### State of California

Department of  
Personnel Administration

### Savings Plus Program

1800 15th Street  
Sacramento, CA 95814-6614

### How to Reach Us

#### Hours

Lobby: 8:00 a.m. - 5:00 p.m.

Phone: 8:30 a.m. - 4:00 p.m.

#### Web site:

[www.sppforu.com](http://www.sppforu.com)

#### Voice Response System:

(866) 566-4777

#### TDD:

(916) 327-4266

8-467-4266 (CALNET)

#### FAX:

(916) 327-1885

8-467-1885 (CALNET)